



**[BILLING CODE: 6750-01S]**

**FEDERAL TRADE COMMISSION**

**[File No. 151 0138]**

**National Association of Animal Breeders, Inc.; Analysis to Aid Public Comment**

**AGENCY:** Federal Trade Commission.

**ACTION:** Proposed Consent Agreement.

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**SUMMARY:** The consent agreement in this matter settles alleged violations of federal law prohibiting unfair methods of competition. The attached Analysis to Aid Public Comment describes both the allegations in the complaint and the terms of the consent order -- embodied in the consent agreement -- that would settle these allegations.

**DATES:** Comments must be received on or before September 19, 2017.

**ADDRESSES:** Interested parties may file a comment online or on paper, by following the instructions in the Request for Comment part of the **SUPPLEMENTARY INFORMATION** section below. Write: “In the Matter of National Association of Animal Breeders, Inc. File No. 1510138” on your comment, and file your comment online at <https://ftcpbublic.commentworks.com/ftc/cattleartificialinseminationconsent> by following the instructions on the web-based form. If you prefer to file your comment on paper, write “In the Matter of National Association of Animal Breeders, Inc. File No. 1510138” on your comment and on the envelope, and mail your comment to the following address: Federal Trade Commission, Office of the Secretary, 600 Pennsylvania Avenue, NW, Suite CC-5610 (Annex D), Washington, DC 20580, or deliver your comment to the following address: Federal Trade Commission, Office of the Secretary, Constitution Center, 400 7th Street, SW, 5th Floor, Suite

5610 (Annex D), Washington, DC 20024.

**FOR FURTHER INFORMATION CONTACT:** Armando Irizarry (202-326-2964), Bureau of Competition, 600 Pennsylvania Avenue, NW, Washington, DC 20580.

**SUPPLEMENTARY INFORMATION:** Pursuant to Section 6(f) of the Federal Trade Commission Act, 15 U.S.C. 46(f), and FTC Rule 2.34, 16 CFR § 2.34, notice is hereby given that the above-captioned consent agreement containing a consent order to cease and desist, having been filed with and accepted, subject to final approval, by the Commission, has been placed on the public record for a period of thirty (30) days. The following Analysis to Aid Public Comment describes the terms of the consent agreement, and the allegations in the complaint. An electronic copy of the full text of the consent agreement package can be obtained from the FTC Home Page (for August 18, 2017), on the World Wide Web, at <https://www.ftc.gov/news-events/commission-actions>.

You can file a comment online or on paper. For the Commission to consider your comment, we must receive it on or before September 19, 2017. Write “In the Matter of National Association of Animal Breeders, Inc. File No. 1510138” on your comment. Your comment - including your name and your state - will be placed on the public record of this proceeding, including, to the extent practicable, on the public Commission Website, at <https://www.ftc.gov/policy/public-comments>.

Postal mail addressed to the Commission is subject to delay due to heightened security screening. As a result, we encourage you to submit your comments online. To make sure that the Commission considers your online comment, you must file it at <https://ftcpublishcommentworks.com/ftc/cattleartificialinseminationconsent> by following the

instructions on the web-based form. If this Notice appears at <http://www.regulations.gov/#!home>, you also may file a comment through that website.

If you prefer to file your comment on paper, write “In the Matter of National Association of Animal Breeders, Inc. File No. 1510138” on your comment and on the envelope, and mail your comment to the following address: Federal Trade Commission, Office of the Secretary, 600 Pennsylvania Avenue, NW, Suite CC-5610 (Annex D), Washington, DC 20580, or deliver your comment to the following address: Federal Trade Commission, Office of the Secretary, Constitution Center, 400 7th Street, SW, 5th Floor, Suite 5610 (Annex D), Washington, DC. 20024. If possible, submit your paper comment to the Commission by courier or overnight service.

Because your comment will be placed on the publicly accessible FTC Website at <https://www.ftc.gov>, you are solely responsible for making sure that your comment does not include any sensitive or confidential information. In particular, your comment should not include any sensitive personal information, such as your or anyone else’s Social Security number; date of birth; driver’s license number or other state identification number, or foreign country equivalent; passport number; financial account number; or credit or debit card number. You are also solely responsible for making sure that your comment does not include any sensitive health information, such as medical records or other individually identifiable health information. In addition, your comment should not include any “trade secret or any commercial or financial information which . . . is privileged or confidential” – as provided by Section 6(f) of the FTC Act, 15 U.S.C. 46(f), and FTC Rule 4.10(a)(2), 16 CFR 4.10(a)(2) – including in particular competitively sensitive information such as costs, sales statistics, inventories, formulas, patterns, devices, manufacturing processes, or customer names.

Comments containing material for which confidential treatment is requested must be filed in paper form, must be clearly labeled “Confidential,” and must comply with FTC Rule 4.9(c). In particular, the written request for confidential treatment that accompanies the comment must include the factual and legal basis for the request, and must identify the specific portions of the comment to be withheld from the public record. *See* FTC Rule 4.9(c). Your comment will be kept confidential only if the General Counsel grants your request in accordance with the law and the public interest. Once your comment has been posted on the public FTC Website – as legally required by FTC Rule 4.9(b) – we cannot redact or remove your comment from the FTC Website, unless you submit a confidentiality request that meets the requirements for such treatment under FTC Rule 4.9(c), and the General Counsel grants that request.

Visit the FTC Website to read this Notice and the news release describing it. The FTC Act and other laws that the Commission administers permit the collection of public comments to consider and use in this proceeding, as appropriate. The Commission will consider all timely and responsive public comments that it receives on or before September 19, 2017. For information on the Commission’s privacy policy, including routine uses permitted by the Privacy Act, see <https://www.ftc.gov/site-information/privacy-policy>.

### **Analysis of Agreement Containing Consent Order to Aid Public Comment**

The Federal Trade Commission (“Commission”) has accepted, subject to final approval, an Agreement Containing Consent Order (“Consent Agreement”) from the National Association of Animal Breeders, Inc. (“NAAB”). NAAB is a trade association of cattle artificial insemination firms.

Dairy production in the United States is dependent on volume from more than 9.3 million cows, the market for which relies on services provided by NAAB member breeders. In 2008, the

U.S. Department of Agriculture, with partial funding from the NAAB through a Cooperative Research and Development Agreement (“CRADA”), developed a new technology that is the best indicator of genetic merit of dairy bulls for use in artificial insemination in so far as yielding higher producing dairy cows. The Commission’s complaint (“Complaint”) alleges that NAAB violated Section 5 of the Federal Trade Commission Act, as amended, 15 U.S.C. § 45, by restraining competition among its regular members in the use of this new technology, which dampened competition in the market for dairy bulls used for semen production.

This matter reaffirms the longstanding rule that trade associations composed of members that compete among themselves, while typically serving important and procompetitive functions, must not adopt rules or regulations that unreasonably limit competition among their members. It also illustrates that industry groups that obtain valuable and unique technology from the government may not establish rules or regulations regarding that technology that unreasonably restrain competition.

The Consent Agreement has been placed on the public record for 30 days for receipt of comments from interested members of the public. Comments received during this period will become part of the public record. After 30 days, the Commission will review the Consent Agreement and comments received, and decide whether it should withdraw, modify, or make the Consent Agreement final.

The Consent Agreement is for settlement purposes only and does not constitute an admission by NAAB that it has violated the law as alleged in the Complaint or that the facts alleged in the Complaint, other than jurisdictional facts, are true.

The purpose of this Analysis to Aid Public Comment is to invite and facilitate public comment. It is not intended to constitute an official interpretation of the proposed Consent Agreement and the accompanying Proposed Order, or in any way modify their terms.

## **I. The Complaint**

The Complaint makes the following allegations.

NAAB is a non-profit corporation with about 24 regular members that compete among themselves and with others in the business of collecting, processing, freezing, marketing or selling dairy cattle semen for artificial insemination. NAAB's members buy dairy bulls from dairy farmers and breeders to produce semen for artificial insemination. NAAB members together account for more than 90 percent of dairy cattle semen sales in the United States.

In September 2006, NAAB entered into a CRADA with the United States Department of Agriculture ("USDA") to cooperate with a USDA laboratory in a project for developing the genomic testing technology described above. The CRADA granted NAAB exclusive access to the results of the CRADA project until February 2013. The CRADA did not restrain in any way the ability of NAAB or its members to use the new technology or to sell access to it, nor did it authorize NAAB or its members to adopt rules that restrain in any way the ability of its members to use the new technology or to sell access to it.

By April 2008, the USDA laboratory had developed the new technology, known as the Genomic Predicted Transmitting Ability ("GPTA"), which analyzes the genetics of a dairy bull to predict the ability of the bull to transmit commercially important traits, such as milk yield, to its daughters. This new technology is superior to the traditional method of evaluating dairy bulls for semen production, and it became the best indicator of a dairy bull's commercial value for transmitting genetic traits.

In October 2008, more than two years after entering into the CRADA, NAAB approved a resolution that regulated its members' access to the new technology during the exclusivity period granted by the CRADA (through February 2013). NAAB acted as a combination of its members when it approved the resolution.

The resolution required that for a NAAB member to obtain the GPTA of a dairy bull, the Member had to have one of the following interests in the bull: (a) own the bull, (b) have an agreement to purchase at least a 30 percent interest in the bull, (c) have a lease on the bull, or (d) have an exclusive marketing agreement for the bull. The USDA laboratory was the only source of GPTAs during the exclusivity period.

The Complaint alleges that NAAB's resolution harmed competition by diminishing competition for dairy bulls used for semen production. First, it impeded the development of a market in which dairy farmers and breeders could pay NAAB members to obtain GPTAs for their dairy bulls. Second, the resolution limited NAAB members from obtaining the GPTA of bulls in which they did not already have a financial interest. Access to a bull's GPTA prior to buying or selling it would tend to increase competition and drive the price of the bull toward a value that more accurately reflects its ability to yield higher producing dairy cows. After the exclusivity period expired in February 2013, GPTAs became available for a fee through an industry organization.

The Complaint alleges that the purpose, effect, tendency or capacity of the resolution was to restrain competition unreasonably among NAAB's Members, and that this conduct injured dairy farmers and breeders by depriving them of the benefits of free and open competition. Therefore, the resolution constitutes an unfair method of competition that violates Section 5 of the Federal Trade Commission Act.

## **II. The Proposed Order**

The Proposed Order has the following substantive provisions. Paragraph II requires NAAB to cease and desist from restraining the ability of its members to obtain, disclose, provide, use or sell any technology or information resulting from research projects conducted by, or pursuant to, an agreement to which NAAB is a party. The Proposed Order also prohibits NAAB from restraining price-related competition among its members relating to the sale or acquisition of bulls or bull semen.

A proviso to Paragraph II specifies that the Proposed Order does not prohibit NAAB from engaging in any conduct that is reasonably necessary to achieve procompetitive benefits or efficiencies relating to NAAB's operation or to the operation of its members, provided that such benefits or efficiencies likely would offset the anticompetitive harms.

Paragraph III requires that, for five years, NAAB notify the Commission if it adopts or modifies any regulation that restrains the ability of its members to obtain disclose, provide, sell or use any technology or information resulting from any research project.

Paragraph V of the Proposed Order requires that NAAB implement an antitrust compliance program to ensure compliance with the Proposed Order and the antitrust laws.

Paragraphs IV and VI-VIII of the Proposed Order impose certain standard reporting and compliance requirements on NAAB.

By direction of the Commission.

Donald S. Clark  
Secretary.